



January 14, 2004

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DANA M. SMITH
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Senior Project Manager

SUBJECT: Consultant Contract for Fiscal Training and Support Services

Introduction

Each fiscal year, the Commission sets aside expenditures in its annual budget for contracts for professional services. These consultant services provide LAFCO with the essential resources and tools it needs to critically review and evaluate proposals and plans for services. A substantial share of these professional services is the fiscal analysis support LAFCO receives from various consulting firms around the state.

This Commission regularly seeks outside fiscal consulting support for a broad range of projects with varying complexity. These projects include small routine city annexations to large complex city incorporations and special district consolidations. There will likely always be some need for LAFCO to seek outside fiscal analysis support for the larger and more complex projects. There may, however, be opportunities for increased cost-effectiveness and productivity within the organization by training and equipping LAFCO staff with the skills and resources necessary to independently conduct fiscal impact analyses in-house for the smaller and less complex projects.

Staff has recently explored such opportunities with the assistance of Economic & Planning Systems ("EPS"). EPS has in the past provided professional services to this LAFCO for several complex projects, including the incorporation of the City of Rancho Santa Margarita and, more recently, the El Toro MCAS Annexation to the City of Irvine. EPS has submitted a proposal with a draft scope of work for a fiscal modeling and training program for LAFCO staff. This report describes that proposal, outlines a proposed scope of work, and recommends that the Commission approve a contract with EPS for a fiscal modeling and training program.

EPS Proposal

EPS's proposal involves a comprehensive program to jointly develop key training tools and fiscal models LAFCO staff can use and implement in-house. These tools and models will be designed to help staff more readily and efficiently provide good, sound data and analysis to the Commission, LAFCO's applicants, and the public for well-informed decisions. The program incorporates cutting-edge tools and technologies to maximize the efficiency and effectiveness of the fiscal models. In addition to the initial training support EPS will provide for the use of the fiscal models, the draft contract also provides for ongoing technical support from EPS for future management, revisions, and updates to the model templates.

Scope of Work

A copy of a detailed scope of work for EPS's proposal can be found in Exhibit "A" (Pages 9 to 12) of the draft contract, attached to this report as Attachment 1. The scope of work identifies a series of tasks for the development of fiscal model templates LAFCO staff can independently use to analyze and study the impacts of proposed changes of (re)organization on agencies and services. In summary, the tasks outlined in the scope of work include:

- TASK 1 Project Initiation:** Preliminary work and discussions between EPS and staff to develop a plan and schedule for the design of LAFCO's fiscal model templates. Identification of the types of projects the model will be used to evaluate. Discussions about prior LAFCO projects and studies that have required fiscal modeling and analysis. Identification and review of key model assumptions and tasks.
- TASK 2 Model Development:** Development of multiple fiscal model templates capable of addressing varying governance structure alternatives and fiscal scenarios. Identification and establishment of factors and variables (e.g., population, income, housing prices, etc.) that determine key revenue and expenditure assumptions. Determination and review of key revenue and expenditure assumptions.
- TASK 3 Documentation and Training:** Development of technical documentation detailing the uses and limitations of the model. This documentation will also serve to inform the public and decision-makers about the design and key assumptions of the fiscal models.
- TASK 4 Model Operation, Review, and Maintenance:** Operation and use of the fiscal models by LAFCO staff with and without technical support and assistance from EPS. Development and implementation of internet tools and technologies to facilitate interaction, revision, and use of the model

via a web browser. Accessibility to the models by internet download will allow independent modification and use of the models by LAFCO. Ongoing review, maintenance, and revisions of the models and key assumptions by EPS. Availability of EPS for review of analyses and results of the fiscal model templates as they are used by LAFCO staff.

- TASK 5** **Annual Updates:** Annual update of the fiscal model templates to reflect the new budget year and any other changes in assumptions (e.g., economic conditions, market values, capture rates, anticipated development, etc.).
- TASK 6** **Special Analysis:** Ongoing EPS technical support to help LAFCO produce special runs from the models and make modifications to the model templates to address different types of variables.

Cost-Effectiveness and Staff Training & Development

For the past several years, the Commission has annually budgeted approximately \$25,000 for outside fiscal consulting services. EPS's estimated budget (Attachment 2) for the fiscal modeling and training program projects a one-time cost of \$24,220 to LAFCO for the performance and completion of Tasks One through Four. With proper training by EPS, LAFCO would have the ability to conduct fiscal analyses in-house for future projects and studies with less reliance on outside consulting services. The fiscal modeling and training program would provide substantial long-term cost savings to LAFCO while presenting a tremendous opportunity for staff training and development.

The draft EPS contract establishes a \$25,000 "not-to-exceed" amount for the development and implementation of a fiscal modeling and training program under Tasks One through Four of the scope of work. The contract also establishes an additional \$5,000 "not-to-exceed" amount for future annual updates of the fiscal models under Task 5 of the scope of work.

Conclusions & Recommendations

One of the most important factors in LAFCO's review and consideration of a proposal is an affected agency's plan for services. The Commission has a responsibility to the public to ensure that local governments have an adequate and sound business plan in place for the financing and delivery of essential municipal services to residents and property owners. EPS's proposed fiscal modeling and training program presents a new and unique opportunity for this Commission and its staff to more efficiently and cost-effectively fulfill its state-mandated roles and responsibilities while providing the

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EPS Contract – Fiscal Modeling and Training Program

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organization new opportunities for cost savings and staff training and development. Staff recommends that the Commission:

1. Approve the contract for professional services with Economic & Planning Systems (“EPS”) for a fiscal modeling and training program (Attachment 1).

Respectfully submitted,

DANA M. SMITH

KENNETH G. LEE

Attachments:

1. Consultant contract with EPS for Fiscal Modeling and Training Program